

The Financial Report was produced by NAU Creative Communications. Printed on recycled paper.

NAU is an Equal Opportunity/Affirmative Action Institution

A36309/200/12-99

Northern Arizona University

Financial Report 1998-1999



INDEPENDENT AUDITORS' REPORT



DEBRA K. DAVENPORT, CPA

AUDITOR GENERAL

STATE OF ARIZONA OFFICE OF THE AUDITOR GENERAL

MEMBERS OF THE ARIZONA STATE LEGISLATURE

THE ARIZONA BOARD OF REGENTS

We have audited the accompanying balance sheet of Northern Arizona University as of June 30, 1999, and the related statements of changes in fund balances and current operating funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Arizona University as of June 30, 1999, and the changes in its fund balances and its current operating funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements of Northern Arizona University taken as a whole. Disclosure regarding the year 2000 issue on Page 23 is not a required part of the University's financial statements, but it is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the supplementary information; however, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the University is or will become year 2000 compliant, that the University's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the University does business are or will become year 2000 compliant.

Debbie Davenport Auditor General

September 8, 1999

ARIZONA BOARD OF REGENTS

George H. Amos III Tucson

Rudy Campbell *Tempe*

Judy Gignac Sierra Vista

Chris Herstam Phoenix

Jack Jewett Tucson

Kay McKay Flagstaff

John Munger Tucson

Christine Thompson ASU Student, Tempe

Don Ulrich Paradise Valley

Ex Officio

Jane D. Hull Governor

Lisa Graham Keegan

Superintendent of Public Instruction

UNIVERSITY ADMINISTRATION

Clara M. Lovett President

Charles W. Connell Provost

J. Michael Mullen Vice President for Administration

S. Theodore Ford Senior Vice President for University Advancement

Kurt R. Davis Vice President of Public Affairs and Marketing

FINANCIAL REPORT 1998-99

Independent Auditors' Report
About the University
Degrees Reflect Diversity5
NAU Serves State and Beyond 6
Enrollment Trends Shift7
Financial Highlights8
Timunetur Tinginigino Timori Timori Timori
Balance Sheet
Datance Sheet
Statement of Changes in
Statement of Changes in Fund Balances
Tund Barances
Statement of Comment On anating
Statement of Current Operating
Funds Revenues, Expenditures,
and Other Changes
Summary of Significant
Accounting Policies
Notes to Financial Statements
Supplementary Information23







About the University

Degrees Reflect Diversity

NAU has maintained a tradition over the past century as one of the West's premier universities – a tradition centering on academic excellence. The university's programs cover a diverse range of disciplines, from liberal arts and the sciences to professional and career-related programs. In fiscal year 1998-99, NAU awarded 3,041 bachelor's, 1,692 master's degrees, and 45 doctoral degrees.

Areas in Which Degrees Are Offered

Bachelor's Degrees

Accountancy Advertising

American Political Studies

Anthropology

Applied Geography Applied Science

Applied Sociology

Art

Art Education

Art History

Arts Management

Astronomy Biology

Botany

Business Economics

Chemistry

Civil Engineering

Computer Information Systems

Computer Science and Engineering Construction Management

Criminal Justice

Dental Hygiene

Earth Science

Economics

Electrical Engineering

Electrical Eligilieer

Electronic Media

Elementary Education

Engineering Physics

English

Environmental Chemistry

Environmental Engineering

Environmental Science

Exercise Science

Finance

Forestry

French

Geochemistry

Geography

Geology

German

Health Education

History

Hotel and Restaurant Management

Humanities

Interior Design

International Affairs

Journalism

Journalism and Political Science

Liberal Studies

Marketing

Mathematics

Mechanical Engineering

Merchandising

Management

Microbiology

Modern Languages

Music

Music, Five-year Program

Music History and Literature

Music Performance

(Instrumental and Vocal)

Nursing



Parks and Recreation Management

Philosophy

Photography

Physical Education

Physical Science

Physics

Physics and Astronomy

Physics and Mathematics

Political Science

Psychology

Public Planning

Public Relations

Religious Studies

Social Science

Social Work

Sociology



Spanish

Special Education

Speech Communication Technology Education

Theater

Visual Communication

Vocational Education

Zoology

Master's Degrees

Anthropology

Applied Sociology

Bilingual/Multicultural Education

Biology

Business Administration

Chemistry

Clinical Speech Pathology

Counseling

Counseling Criminal Justice

Early Childhood Education

Earth Science

Educational Leadership

Elementary Education

Engineering

English

Forestry Geology

History

Liberal Studies Mathematics

Music

Nursing

Physical Education

Physical Science

Physical Therapy

Political Science

Psychology Public Administration

Quaternary Studies

Reading and Learning Disabilities

Rural Geography

School Psychology

Secondary Education

Special Education

Teaching English

as a Second Language Vocational Education

Doctoral Degrees

Applied Linguistics

Biology

Curriculum and Instruction

Educational Leadership Educational Psychology

Forest Science

History

Political Science

NAU Serves State and Beyond

With more than twenty sites in Arizona, students are never far from an NAU education. Each site offers a selection of undergraduate or graduate degrees, certifications, and endorsements selected especially for the needs of the community it serves.

NAU partners with most Arizona community colleges so students can complete their first two years at a local community college and then transfer to a nearby NAU site to earn a bachelor's degree. With advisors, financial aid

counselors, and full- and part-time faculty available at the various sites, NAU makes going to college convenient.

NAU Online offers students the flexibility and convenience of taking courses on the web. Through NAU Online, students can obtain a complete certificate in a variety of programs, fulfill requirements toward a degree, round out their professional development, or take courses for personal enrichment. Technical and administrative support are available on line or over the phone.



About the University

Enrollment Trends Shift

NAU's total enrollment grew slightly this past year, while enrollment of Hispanic and Native American students hit record levels. Freshman enrollment also increased and represented a high percentage of academic achievers.

"Over the past year we have focused on getting the message out about the high caliber of NAU's programs," said Clara M. Lovett, NAU president. "Our freshman class with its increased quality and diversity, plus increased overall enrollment of Native Americans and Hispanics is an early indicator that our message is being heard."

NAU's overall enrollment growth was modest, rising from 19,940 students in the fall of 1998 to 19,981 this year. Hispanic enrollment, however, is at 10 percent of the total student population

for the first time in NAU's history – 1,989 representing a 2 percent increase in Hispanic enrollment from last year's 1,950. With that increase, the Hispanic Association of Colleges and Universities now classifies NAU as a Hispanic-serving institution.

Native American enrollment also is a historic high, now standing at 6.6 percent of total student population – shooting up 8.1 percent, from 1,216 to 1,314 students.

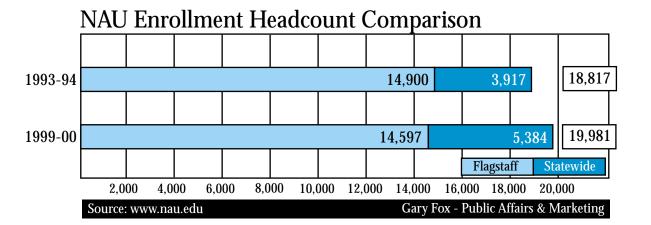
In addition, the first-time freshman population grew 1.7 percent, from 2,772 to 2,819. On the Flagstaff campus, new freshman enrollment increased 2.6 percent. Especially encouraging is the 13 percent increase in Arizona freshmen who chose to come to NAU.

The freshmen class at NAU is noteworthy for the following facts:

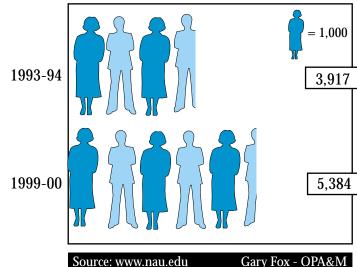
- 32 percent of all incoming freshmen were in the top 10 percent of their graduating class.
- Almost half of the students in the New Century Honors Program are freshmen – 239 freshmen out of 537 total participating, a 16.7 percent increase over last year.
- The average in-state grade point average is 3.43 percent for Arizona freshmen at NAU.

Challenges still remain for NAU because nonresident enrollment dropped 2.9 percent, and transfer students declined slightly.

"As NAU's academic reputation and our smaller, personalized campus becomes more well-known, the growth of in-state freshmen should spread to out of state," Lovett said.



NAU Enrollment - Statewide



Source, www.nau.edu Gary Fox - Or Adivi

FINANCIAL HIGHLIGHTS

Funding Sources and Uses

Dollars in Millions

	Fis	Percentage		
	1999	1998	of Change	
Funding Sources				
(Resources acquired during the year)				
State Appropriations	\$108.1	\$ 100.6	7%	
Tuition and Fees	63.6	61.6	3	
Grants, Contracts, Gifts, and Advances	37.2	35.1	6	
Auxiliary Enterprise Operations	25.7	24.8	4	
Other Sources	12.4	14.3	(13)	
Total Funding Sources	\$247.0	\$236.4	4%	
Funding Uses				
(Resources consumed during the year)				
Instruction	\$ 79.9	\$ 77.4	3%	
Research and Public Service	24.6	26.0	(5)	
Student Services, Academic Support, and Institutional Support	59.6	56.7	5	
Operation and Maintenance of Plant	13.4	14.1	(5)	
Auxiliary Enterprise Operations	26.4	27.6	(4)	
Facility Additions and Debt Service	30.3	27.1	12	
Scholarships and Fellowships	23.1	20.2	14	
Other Uses	0.4	0.4	0	
Total Funding Uses	\$257.7	\$ 249.5	3%	
Funding Sources Under Funding Uses	\$ 10.7	\$ 13.1		

The above table presents an overview of the financial operations of the university; current operating and nonoperating funds are included.

State appropriations and tuition and fees continue to be the major funding sources for current operations related to educational purposes. State appropriations for 1999 included \$4,378,100 for repair and maintenance of facilities and \$389,500 for financial aid purposes. Other sources of funding include investment income, internal services, commissions, interest on loans, and other miscellaneous revenues.

Educational and general expenditures continued to account for

the majority of uses of funds. Educational and general expenditures increased \$6.2 million or 3 percent over the previous fiscal year. Significant components of the increase within educational and general expenditures are: instruction, \$2.5 million; scholarships and fellowships, \$2.9 million; and academic support, \$2.7 million. Facility additions and debt service consist of \$18.3 million of additions to physical facilities and \$11.9 million in principal and interest. Funding uses exceed funding sources in 1999 due to spending bond proceeds for construction and renovation of facilities.

Financial Position

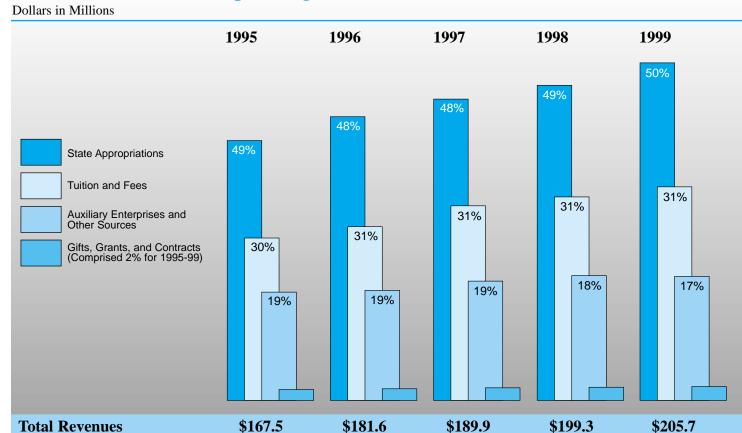
Dollars in Millions

Donato in Militorio	Fisc	Fiscal Year		
	1999	1998	Percentage of Change	
Assets				
(Resources available to provide future services				
or to pay obligations)				
Property, Buildings, and Equipment	\$393.4	\$368.1	7%	
Other Assets (cash, investments, receivables,				
inventories, and deferred expenses)	79.5	85.8	(7)	
Total Assets	\$472.9	\$453.9	4%	
Liabilities				
(Obligations requiring cash or other resources				
in the future)				
Bonds Payable and Other Long-Term Obligations	\$97.2	\$ 103.3	(6)%	
Other Liabilities (accounts payable, payroll and other				
liabilities, deferred revenue, and deposits)	28.1	23.6	19	
Total Liabilities	\$125.3	\$126.9	(1)%	
Fund Balances				
(Resources available after obligations for providing				
future services)				
Available for Current Operations:				
Restricted (must be spent as specified by				
external parties)	\$ 2.8	\$ 1.9	47%	
Designated (may be spent as determined				
by University Administration)	15.4	17.6	(13)	
Restricted or Designated for Nonoperating				
Purposes (bond reserves, student loans,				
endowments, and construction projects)	25.4	23.0	10	
Total Fund Balances before Net				
Investment in Plant	\$ 43.6	\$ 42.5	3%	
Invested in Property, Buildings, and				
Equipment (property costs net of bonds				
payable and other long-term obligations)	304.0	284.5	7	
Total Fund Balances	\$347.6	\$327.0	6%	

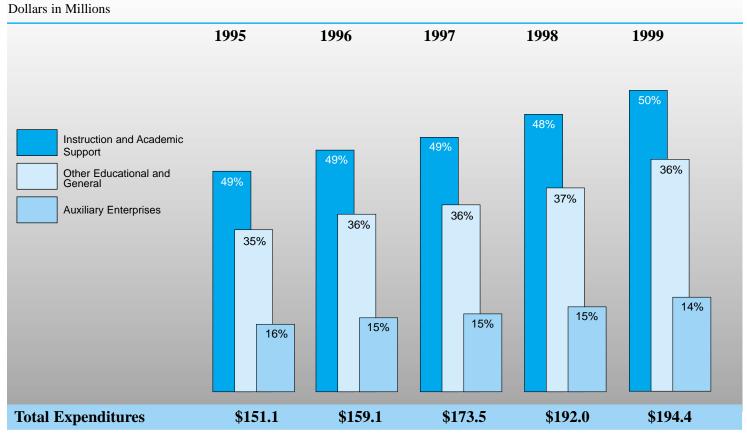
The 4 percent increase in university assets resulted from \$25.3 million of additional property, buildings, and equipment and a \$6.3 million decrease in other assets, primarily cash and investments. The increase in property, buildings, and equipment and the decrease in cash and investments results from spending 1997 bond proceeds and prior accumulated excess current fund revenues for construction and renovation of facilities and technology enhancement of equipment and operating systems.

Total fund balances increased 6 percent, primarily due to a \$19.5 million increase in net investment in property, buildings, and equipment. Equipment and library acquisitions funded from current operating funds accounted for \$11.1 million of this increase in net investment. The increase in net investment in property, buildings, and equipment results from the continued emphasis on renovation of facilities and the need to maintain equipment at current technology.

Unrestricted Current Operating Funds Revenues



Unrestricted Current Operating Funds Expenditures

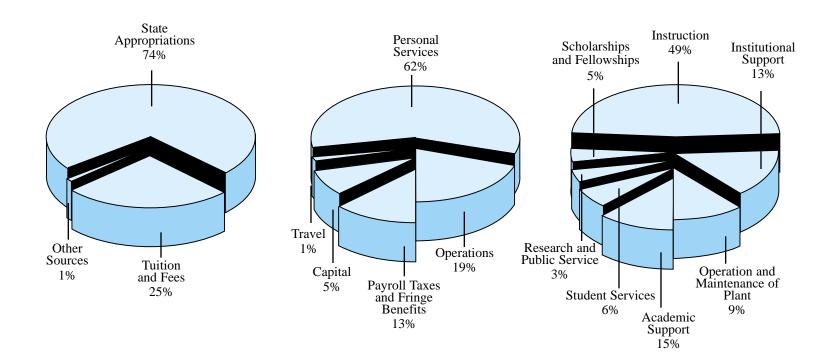


Operating Funds Composition

For the year ended June 30, 1999

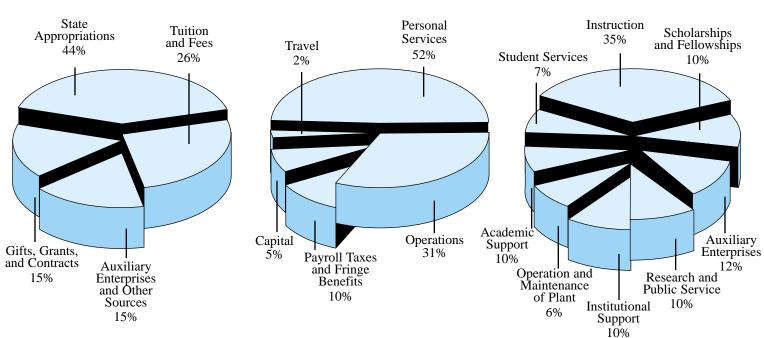
General Operating Fund

Sources Uses by Expenditure Category Uses by Program



Total Current Operating Funds

Sources Uses by Expenditure Category



10

Uses by Program

Combined Sources and Uses of Funds

For the year ended June 30, 1999

Note: The Combined Sources and Uses of Funds is presented to highlight major financial data. The explanations provided are not intended to be all inclusive.

This summary is presented to give an overview of total university financial operations. Restricted and unrestricted current operating and nonoperating funds are included. Restricted funds have specific purposes stipulated by outside donors or agencies.

Nonoperating funds consist of the loan fund, endowment fund, unexpended plant fund, and debt service fund. The investment in plant fund is not included, except for property gifts, since plant acquisitions are typically shown as a use of funds in either the current operating funds or unexpended plant fund at time of acquisition. The nonoperating funds are generally not available for use at the discretion of the university. Sources and uses are allocated and controlled by budgets.

Sources **State Appropriations**

\$108,085,600

Includes legislative appropriations from state of Arizona general revenue for current operations of the university, \$389,500 for financial aid, and \$4,378,100 for repair and maintenance of facili-

Tuition and Fees

\$63,639,572

Includes \$26,410,336 to support the operating budget, \$5,590,504 for summer sessions, \$22,422,801 for funding of local budgets, scholarships, and retirement of nonhousing bonded indebtedness, and \$9,215,931 of waivers, consisting of \$6,658,577 charged to scholarships and fellowships and \$2,557,354 for faculty and staff benefits.

Governmental Grants and Contracts

12.2%

Includes \$22,557,504 of federal grants and contracts, \$3,123,237 of state grants and contracts, and \$4,495,006 of local government grants and contracts.

Auxiliary Enterprises

10.4%

Operations of substantially self-supporting activities such as housing, bookstore, student unions, and intercollegiate athletics.

\$25,656,865

Other Sources

3.2% \$7,854,821

Includes interest on loans receivable, internal services, commissions, conferences, facility userfees, and other miscellaneous revenues.

Private Gifts, Grants, and Contracts

Includes gifts, grants, and contracts for scholarships, endowments, and plant facility additions.

Investment and Endowment Income

Earnings from short-term investments of funds not necessary for immediate expenditures and long-term investment of endowment and bondretirement sinking funds.

Total Sources \$246,943,840

Net Decrease in Fund Balances \$10,731,651 Includes a decrease of \$6,742,554 in cash and investments, and an increase in short-term liabilities of \$4,485,838, offset by an increase in other assets of \$496,741.

Total \$257,675,491

Uses

Instruction and Academic Support

Instruction, totaling \$79,892,282 includes expenditures of academic departments and other organizational units for undergraduate and graduate courses and for occupational or technical instruction, includes regular academic year, summer sessions, and continuing education. Academic Support, totaling \$21,656,014 includes libraries, audiovisual services, and academic administra-

Student Services and Institutional Support

14.7%

\$37,931,758

Student services, totaling \$15,101,156, includes areas such as admissions, registrar, minority services, counseling, placement, student aid administration, and health services. Institutional support, totaling \$22,830,602, includes executive management, financial operations, computing support, human resource services, security, and university relations.

Auxiliary Enterprises

Expenditures of organizational units that furnish services to students, faculty and staff, and the general public for a fee directly related to the cost of the service and are managed as essentially self-supporting activities.

Facility Additions and Debt Service

11.8%

\$30,369,363

Additions to physical facilities of \$18,347,714 were funded from the unexpended plant fund and \$136,714 was received from property gifts. Not included in this category are additions to property of \$11,142,414 funded from current operating funds. Debt service payments consisted of \$5,810,113 of interest payments and \$6,074,822 of principal retired.

Research and Public Service 9.5%

\$24,561,583

Activities for which the primary objective is the discovery or application of knowledge and may be sponsored by external agencies or separately budgeted by organizational units within the university. Public service activities make available to the general public the benefits of the instructional or research activities and include local school consortiums and public broadcasting.

Scholarships and Fellowships 9.0%

\$23,139,917

Includes grants paid from the restricted fund and tuition and fee waivers. Scholarships and fellowships are awarded to students enrolled in formal coursework for which the students are not required to perform personal services or repay the awards.

Operation and Maintenance of Plant 5.2%

\$13,423,232

Represents expenditures for the operation and maintenance of plant, including administration, maintenance and custodial services, landscaping and grounds upkeep, and minor repairs and renovations. Also included are utilities and property insurance.

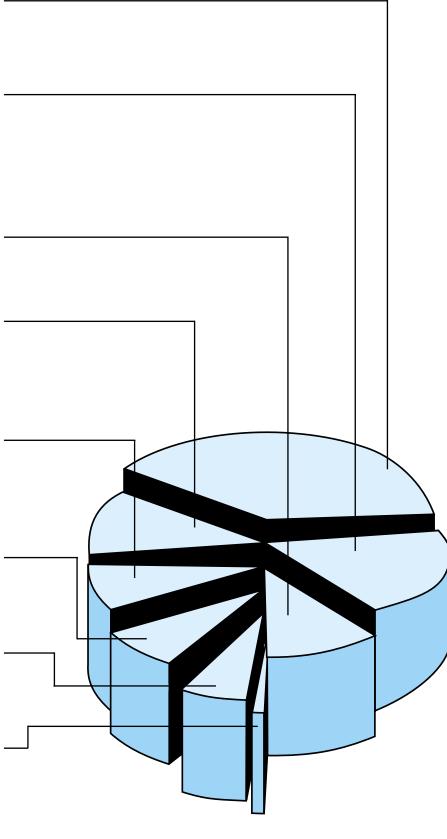
Other Uses

0.1%

\$317,564

Other uses include \$145,341 for trustee and administrative costs, refunds to grantors of \$32,579, cancellation of student loans of \$115,468, and an increase in provision for uncollectible student loans of \$24,176.

\$257,675,491 **Total Uses**



	CURRENT OPERATING FUNDS				OTHER FUNDS				TOTAL ALL FUNDS		
	Unrestricted General Designated Auxiliary		Restricted	Total Current	Loan	Endowment	Plant	Agency		orandum Only	
	Operating Fund	Fund	Enterprises Fund		Operating Funds	Fund	Fund	Funds	Fund	1999	1998
Assets											
Cash and short-term investments	\$5,527,124	\$14,339,096	\$ 6,483,379	\$ 88,950	\$26,438,549	\$ 346,257	\$4,870,590	\$ 11,214,746	\$3,552,560	\$ 46,422,702	\$ 41,531,535
Cash and investments held by trustee				385,310	385,310		3,033,053	9,226,023		12,644,386	24,278,107
Accounts receivable		1,063,806	636,715	6,287,824	7,988,345		418	103,494	36,672	8,128,929	7,928,778
Loans receivable						6,048,858				6,048,858	6,021,325
Inventories			2,426,249		2,426,249					2,426,249	2,374,572
Deferred expenses and deposits		1,325,621	140,889		1,466,510				175,865	1,642,375	1,449,131
Due from other fund		942,718			942,718					942,718	918,582
Donated land							1,190,986			1,190,986	1,190,986
Property, buildings, and equipment								393,414,377		393,414,377	368,110,670
Total Assets	\$5,527,124	\$17,671,241	\$ 9,687,232	\$6,762,084	\$39,647,681	\$6,395,115	\$9,095,047	\$413,958,640	\$3,765,097	\$472,861,580	\$453,803,686
Liabilities and Fund Balances Liabilities-											
Accounts payable	\$ 951,167	\$ 698,855	\$ 637,438	\$ 380,566	\$ 2,668,026	607		\$ 2,816,996	\$ 1,363,500	\$ 6,849,129	\$ 3,976,657
Payroll and related liabilities	4,229,286	1,352,181	594,464	856,313	7,032,244				252,723	7,284,967	6,904,864
Deferred revenue		6,244,048	1,942,145	1,787,528	9,973,721		3,601	15,164		9,992,486	8,964,545
Retirement and insurance deposits									2,054,897	2,054,897	1,834,747
Other deposits		86,085	749,125		835,210				93,977	929,187	968,151
Due to other fund				942,718	942,718					942,718	918,582
Long-term obligations								1,207,976		1,207,976	1,357,798
Bonds payable								95,980,000		95,980,000	101,905,000
Total Liabilities	\$5,180,453	\$ 8,381,169	\$ 3,923,172	\$3,967,125	\$21,451,919	\$ 607	\$ 3,601	\$100,020,136	\$3,765,097	\$125,241,360	\$126,830,344
Fund balances	346,671	9,290,072	5,764,060	2,794,959	18,195,762	6,394,508	9,091,446	313,938,504		347,620,220	326,973,342
Total Liabilities and Fund Balances	\$5,527,124	\$17,671,241	\$ 9,687,232	\$6,762,084	\$39,647,681	\$6,395,115	\$9,095,047	\$413,958,640	\$3,765,097	\$472,861,580	\$453,803,686
Fund Balances Consist of-											
Restricted-											
U.S. government grants refundable						\$5,341,149				\$ 5,341,149	\$ 5,292,203
Endowments							\$4,931,981			4,931,981	4,200,591
General				\$2,794,959	\$ 2,794,959	791,841		\$ 2,949,515		6,536,315	4,446,251
Designated-											
Outstanding purchase orders	\$ 212,761				212,761					212,761	206,070
Funding of ensuing year's budget	100,000				100,000					100,000	100,000
Summer sessions		\$ 48,630			48,630					48,630	182,126
Quasi-endowment							4,159,465			4,159,465	3,320,609
General	33,910	9,241,442	\$ 5,764,060		15,039,412	261,518		6,983,187		22,284,117	24,735,177
Net investment in plant								304,005,802		304,005,802	284,490,315
Total Fund Balances	\$ 346,671	\$ 9,290,072	\$ 5,764,060	\$2,794,959	\$18,195,762	\$6,394,508	\$9,091,446	\$313,938,504		\$347,620,220	\$326,973,342

See Summary of Significant Accounting Policies and Notes to Financial Statements

STATEMENT OF CHANGES IN FUND BALANCES For the year ended June 30, 1999 (with comparative totals for 1998)

		CURI	RENT OPERATIN	G FUNDS		OTHER FUNDS			TOTAL ALL FUNDS				
_	Unrestricted				Plant Funds				Memorandum				
	~ .					_				Investment	Combined		only
-	General Operating Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Total Current Operating Funds	Loan Fund	Endowment Fund	Unexpended Plant Fund	Debt Service Fund	In Plant Fund	Plant Funds	1999	1998
Revenues and Other Additions													
Unrestricted current revenues	\$138,922,485	\$38,423,619	\$28,402,538		\$205,748,642							\$205,748,642	
State appropriations				\$ 194,750	194,750		\$ 194,750	\$ 4,378,100			\$ 4,378,100	4,767,600	2,470,600
Student fees				206,608	206,608		206,608		\$ 678,449		678,449	1,091,665	1,101,816
Governmental grants and contracts				29,903,637	29,903,637				47,582		47,582	29,951,219	26,868,264
Private gifts, grants, and contracts				4,368,635	4,368,635	\$ 3,600	6,154	50		\$ 136,714	136,764	4,515,153	5,397,672
Investment and endowment income				449,554	449,554		1,162,734	802,958	175,941		978,899	2,591,187	3,149,054
U.S. government advances and reimbursements						89,588						89,588	74,994
Expended for plant facilities, including													
\$11,142,414 charged to current funds													
expenditures in 1999 and \$16,517,655 in 199	98									27,188,489	27,188,489	27,188,489	26,589,676
Retirement of indebtedness										6,074,822	6,074,822	6,074,822	5,742,872
Other additions						213,301		15,142			15,142	228,443	166,589
Total Revenues and Other Additions	\$138,922,485	\$38,423,619	\$28,402,538	\$35,123,184	\$240,871,826	\$ 306,489	\$1,570,246	\$ 5,196,250	\$ 901,972	\$ 33,400,025	\$ 39,498,247	\$282,246,808	\$270,823,106
Expenditures and Other Deductions													
Educational and general expenditures	\$138,786,183	\$29,277,989		\$32,540,614	\$200,604,786							\$200,604,786	
Auxiliary enterprises expenditures			\$26,383,778		26,383,778							26,383,778	27,652,690
Indirect costs recovered				1,992,340	1,992,340	\$ 47,317						2,039,657	2,018,876
Refunded to grantors				32,579	32,579							32,579	6,462
Loan cancellations						115,468						115,468	122,142
Administrative costs						44,061			\$ 101,280		\$ 101,280	145,341	82,282
Provision for bad debts						24,176						24,176	231,481
Expended for plant facilities,													
including expenditures not capitalized of								* 10 2 15 51 1			10.045.514	40.245.544	11201056
\$2,301,639 in 1999 and \$4,129,035 in 1998								\$18,347,714	6.074.022		18,347,714	18,347,714	14,201,056
Retirement of indebtedness									6,074,822		6,074,822	6,074,822	5,742,872
Interest on indebtedness									5,810,113	Φ 2.021.406	5,810,113	5,810,113	6,144,690
Disposal of plant facilities										\$ 2,021,496	2,021,496	2,021,496	2,618,787
Total Expenditures and Other Deductions	\$138,786,183	\$29,277,989	\$26,383,778	\$34,565,533	\$229,013,483	\$ 231,022		\$18,347,714	\$11,986,215	\$ 2,021,496	\$ 32,355,425	\$261,599,930	\$253,188,733
Transfers Among Funds-Additions (Deductions)												
Mandatory-													
Principal and interest	\$ (121,141)	\$ (7,930,566)	\$ (2,612,512)		\$ (10,664,219)			\$ (901,470)	\$11,565,689		\$ 10,664,219		
Loan fund matching		(1,853)			(1,853)	\$ 1,853							
Grant matching		(251,389))	\$ 251,389									
Voluntary-net		(1,485,314)	(1,058,746)	105,830	(2,438,230)	(35,207)		14,414,742	(78,263)	\$ (11,863,042)	2,473,437		
Total Transfers	\$ (121,141)	\$ (9,669,122)	\$ (3,671,258)	\$ 357,219	\$(13,104,302)	\$ (33,354)		\$13,513,272	\$11,487,426	\$ (11,863,042)	\$ 13,137,656		
Net Increase (Decrease) for the Year	\$ 15,161	\$ (523,492)	\$ (1,652,498)	\$ 914,870	\$ (1,245,959)	\$ 42,113	\$1,570,246	\$ 361,808	\$ 403,183	\$ 19,515,487	\$ 20,280,478	\$ 20,646,878	\$ 17,634,373
Fund Balances at Beginning of Year	331,510	9,813,564	7,416,558	1,880,089	19,441,721	6,352,395	7,521,200	7,678,964	1,488,747	284,490,315	293,658,026	326,973,342	309,338,969
Fund Balances at End of Year	\$ 346,671	\$ 9,290,072	\$ 5,764,060	\$ 2,794,959	\$ 18,195,762	\$6,394,508	\$ 9,091,446	\$ 8,040,772	\$ 1,891,930	\$304,005,802	\$313,938,504	\$347,620,220	\$326,973,342

See Summary of Significant Accounting Policies and Notes to Financial Statements

STATEMENT OF CURRENT OPERATING FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES

For the year ended June 30, 1999 (with comparative totals for 1998)

		Unrestricted			Total Current Operating Funds			
	General Designated Auxiliary		Auviliany	Restricted	Memorandum Only			
	Operating Fund	Fund	Enterprises Fund		1999 1998			
Revenues			•					
State appropriations	\$103,318,000			\$ 194,750	\$103,512,750 \$ 98,310,350			
Tuition and fees	35,425,339	\$26,611,666	\$ 510,902	206,608	62,754,515 60,703,290			
Governmental grants and contracts		1,929,193	64,424	27,594,316	29,587,933 27,228,106			
Private gifts, grants, and		1,,,2,,1,3	01,121	27,371,310	27,220,100			
contracts		1,812,215	796,196	4,095,386	6,703,797 6,804,539			
Investment income		1,667,494	282,653	116,743	2,066,890 2,359,906			
Endowment income		,,-	- ,	332,811	332,811 292,872			
Sales and services of				,	,			
auxiliary enterprises			25,656,865		25,656,865 24,830,743			
Internal services, less			,,,,		,,,,,,,,			
related expenditures of								
\$9,549,723 in 1999 and								
\$9,600,660 in 1998			1,091,498		1,091,498 1,537,117			
Other sources	179,146	6,403,051	1,001,100		6,582,197 7,169,126			
Total Revenues	\$138,922,485	\$38,423,619	\$28,402,538	\$32,540,614	\$238,289,256 \$229,236,049			
Expenditures	. , ,	. , ,	. , ,	. , ,	. , , , , , , , , , , , , , , , , , , ,			
Educational and general								
Instruction	\$ 68,405,275	\$ 7,964,864		\$ 3,522,143	\$ 79,892,282 \$ 77,355,234			
Research	2,742,975	551,626		9,067,053	12,361,654 11,318,298			
Public service	1,618,957	4,694,755		5,886,217	12,199,929 14,659,754			
Academic support	20,142,650	1,397,467		115,897	21,656,014 18,909,044			
Student services	8,334,707	5,580,411		1,186,038	15,101,156 14,930,473			
Institutional support	17,982,023	4,690,417		158,162	22,830,602 22,834,997			
Operation and maintenance								
of plant	12,901,019	520,148		2,065	13,423,232 14,109,957			
Scholarships and fellowships	6,658,577	3,878,301		12,603,039	23,139,917 20,249,638			
Educational and general								
expenditures	\$138,786,183	\$29,277,989		32,540,614	\$200,604,786 \$194,367,395			
Auxiliary enterprises			\$26,383,778		26,383,778 27,652,690			
Total Expenditures	\$138,786,183	\$29,277,989	\$26,383,778	\$32,540,614	\$226,988,564 \$222,020,085			
Mandatory Transfers								
Principal and interest	\$ 121,141	\$ 7,930,566	\$ 2,612,512		\$ 10,664,219 \$ 9,944,116			
Loan fund matching		1,853			1,853 1,063			
Grant matching		251,389		\$ (251,389)				
Total mandatory transfers	\$ 121,141	\$ 8,183,808	\$ 2,612,512	\$ (251,389)	\$ 10,666,072 \$ 9,945,179			
Total Expenditures and								
Mandatory Transfers	\$138,907,324	\$37,461,797	\$28,996,290	\$32,289,225	\$237,654,636 \$231,965,264			
Other Transfers-Additions (Dedu	ictions)							
Restricted receipts over				ф. 5 00 22 0	ф 500 330 ф (5 2 505)			
transfers to revenues		* (1.40 * 24.4)	* * * * * * * * * * * * * * * * * * *	\$ 590,230	\$ 590,230 \$ (52,505)			
Voluntary transfers-net		\$ (1,485,314)	\$ (1,058,746)	105,830	(2,438,230) (2,705,536)			
Refunded to grantors				(32,579)	(32,579) (6,462)			
Net Increase (Decrease)								
in Fund Balances	\$ 15,161	\$ (523,492)	\$ (1,652,498)	\$ 914,870	\$ (1,245,959) \$ (5,493,718)			

See Summary of Significant Accounting Policies and Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the Year Ended June 30,1999

Basis of Accounting

The financial statements of the university include all funds for which the university has financial accountability. Fiscal responsibility for the university remains with the State of Arizona; therefore, the university is considered part of the reporting entity for the State's financial reporting purposes. The financial statements do not include the financial activities of the Northern Arizona University Foundation, Inc. The foundation is a nonprofit corporation, controlled by a separate board of directors. The goals of the foundation are to promote the cause of education and the objectives of the university.

The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles as applied to governmental colleges and universities in the AICPA College Guide model as defined in Governmental Accounting Standards Board (GASB) Statement No. 15. The Statement of Current Operating Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of operating funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of revenues and expenses.

Loans and accounts receivable as of June 30, 1999, are reported less allowances for estimated uncollectible amounts and collection costs of \$820,000 and \$928,000, respectively (\$800,000 and \$778,000 in 1998). The allowances for estimated uncollectible amounts and collection costs relating to federal loan programs have been charged to federal and university fund balances in the ratio of their respective contributions to such loan programs.

At June 30, 1999, investments are reported at fair value. Fair value typically is the quoted market price for investments.

Inventories are stated at the lower of cost or market. The cost of bookstore inventories is determined by the retail inventory method. The cost of other inventories is determined generally using the first-in, first-out or weighted average cost methods.

Property, buildings, and equipment are stated at cost at the date of acquisition or fair market value at the date of donation. The university does not provide for depreciation of buildings and equipment.

To the extent that current operating funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal acquisition and/or replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest, and equipment renewal and replacement; and (3) voluntary transfers in other cases.

Tuition and fees revenues (net of refunds) include \$6,658,577 of waivers charged to scholarships and fellowships and \$2,557,354 of waivers for faculty and staff benefits charged to the appropriate expenditure programs to which the benefited personnel relate.

Summer session revenues and expenditures are reported within the fiscal year in which the total summer session programs are predominantly conducted. Accordingly, only the revenues and expenditures of the 1998 summer sessions are included on the Statement of Current Operating Funds Revenues, Expenditures, and Other Changes. Revenues and expenditures as of June 30, 1999, for the 1999 summer sessions are reported as deferred revenues and expenses on the Balance Sheet.

Federal grants provided to the university are subject to review by federal agencies and audit in accordance with the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non–Profit Organizations. In the opinion of the university, any adjustments or repayments that may be required would not be material to the overall financial condition of the university.

The university has not made accruals for vacation pay. If the accruals were made, General Operating Fund, Designated Fund, Auxiliary Enterprises Fund, and Restricted Fund liabilities would be increased by approximately \$2,013,000, \$253,000, \$320,000, and \$85,000, respectively. University management believes that this omission does not have a significant effect on the accompanying financial statements as a whole, because the General Operating Fund liability would be funded by the subsequent year's appropriations from the state legislature.

Financial statement columns labeled "memorandum only" are summarized totals for fiscal years 1999 and 1998 and are presented for comparative purposes.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available, the university's accounts are maintained in accordance with the principles of "fund accounting." These principles require that resources be classified, for accounting and reporting purposes, into funds, according to the activities or objectives specified. Accounts are separately maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. Within each fund group, fund balances restricted by donor or other external agencies as to the purpose for which they may be expended are distinguished from unrestricted funds.

Description of Funds

The current operating funds are used primarily to account for transactions related to performing the primary and support missions of the university: instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, and auxiliary enterprises.

19

18 condition of the university.

Current operating funds consist of the following:

- 1. The General Operating Fund is used to account for transactions related to the university's state-appropriated budget as approved by the Arizona State Legislature and Arizona Board of Regents.
- 2. The Designated Fund is used primarily to account for transactions related to the university's summer session programs, the recovery of indirect costs of sponsored research programs, the recovery of administrative costs of student aid, and the use of unrestricted gifts and grants. Resources in this fund group have been designated for specific purposes by the university.
- 3. The Auxiliary Enterprises Fund is used to account for transactions of substantially self-supporting, non-educational activities that primarily provide a service to students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstore, student unions, intercollegiate athletics, internal service operations, and others.
- 4. The Restricted Fund is used to account for current funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may

be expended. Revenues of the Restricted Fund are reported in the Statement of Current Operating Funds Revenues, Expenditures, and Other Changes only to the extent expended for current operating purposes. Amounts received in excess of expenditures are reported as additions to the fund balance during the year and may be subject to repayment if not expended.

Other funds consist of the Loan Fund, the Endowment Fund, the Plant Funds, and the Agency Fund.

The Loan Fund, primarily financed by the federal government, is used to account for transactions related to loans to students. Interest is recorded on the accrual basis. Provisions of the federal loan program stipulate that:

- 1. The university matches a portion of federal contributions.
- 2. A portion of the loan principal and interest (maximum of 30 percent per year) will be canceled if the recipient completes certain employment requirements. These cancellations are absorbed by the federal government.

The Endowment Fund consists of endowment and quasi-endowment funds. Endowment funds are subject to restrictions of the donor gift instruments, requiring that the principal be invested in perpetuity and that only the income be utilized. Quasiendowment funds have been established by the university for the same purposes as endowment funds and any portion of such funds may be expended.

The Plant Funds are used to account for transactions relating to investment in university properties. They include: (1) the Unexpended Plant Fund; (2) the Debt Service Fund; and (3) the Investment in Plant Fund. The Unexpended Plant Fund is composed of amounts that have been appropriated or designated for land, land improvements, buildings, and equipment. Expenditures for construction in progress are accumulated in this fund until the project is completed or until the end of the fiscal year and then transferred to the Investment in Plant Fund. The Debt Service Fund represents amounts set aside under terms of bond indentures to provide for payment of bond principal and interest and for renewals and replacement of properties. The Investment in Plant Fund represents the total of property, buildings, equip-

The Agency Fund is used to account for assets held by the university as custodian or fiscal agent for others. The transactions of this fund do not affect the Statement of Changes in Fund Balances.

ment, and related liabilities.

the university investing its funds until outstanding checks are cashed. The university's total cash and investments on hand were \$186,893. The carrying amount of the university's total cash in bank was \$(506,747) and the bank balance was \$580,379, of which \$100,000 was covered by federal depository insurance, and the remaining balance of \$480,379 was collateralized by U.S. Government obligations held by the bank's trust department in the

The cash overdraft results from

university's name.

The \$6,770,195 in investments are invested in U.S. Treasury notes, agency notes, or Federal Home Loan Bank securities, which are registered and held by the counterparty's agent in the agent's account with the Federal Reserve Bank. The university's ownership interest is recorded in the bank's records.

Included in the university's investments at June 30, 1999, is a principal and interest strip from a U.S. Government FHLMC mortgage (a form of mortgage-backed securities), with a fair value of \$63,095. The value of this security is based on cash flows from principal and interest payments on underlying mortgages. Therefore, it is sensitive to prepayments by mortgagees, which may result from a decline in interest rates. In addition, the university receives interest at a fixed interest coupon rate of 6.95 percent for the FHLMC mortgage.

The Student Financial Aid Trust Fund was established in accordance with Arizona Revised Statutes (ARS) §15-1642 for the purpose of providing aid to students with verifiable financial need. The three state universities participate in the Trust Fund, which is held with the University of Arizona.

The university's investment in the State Treasurer's Local Government Investment Pool represents a proportionate interest in the pool's portfolio, however, the university's portion is not identified with specific investments and is not subject to custodial credit risk. The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Cash and investments held by trustees at June 30, 1999, consist of the following:

U.S. Government money market portfolios \$ 176,706 Local Government Investment Pool 9,049,317 Investments with NAU Foundation 3,418,363 \$ 12,644,386

Bond indentures authorize the bond trustees to invest in obligations of or guaranteed by the federal government or any agency or instrumentality thereof; collateralized certificates of deposit with federally insured banks, trust companies, or savings and loan associations within the State of Arizona; or repurchase agreements. The bond trustees are authorized to purchase and sell securities.

A trust agreement between the university and the NAU Foundation, Inc. authorizes the foundation to invest certain university restricted and endowment funds according to the foundation's established investment policies and procedures. At June 30, 1999, the foundation invested the entire amount of \$3,418,363 in pooled investments with selected investment financial institutions.

Note 2—Property, Buildings, and Equipment

Property, buildings, and equipment at June 30, 1999, consist of the following:

 Land
 \$ 4,893,214

 Land improvements
 33,024,002

 Buildings
 235,458,298

 Equipment
 77,560,184

 Library books, media,

and special collections 42,478,679 \$393,414,377

In addition to the accounts payable balance shown in the Plant Funds, the estimated cost to complete contracts in process at June 30, 1999, totaled \$4,494,535.

Note 3—Retirement Plans

The university participates in one cost-sharing multiple-employer defined benefit pension plan and four defined contribution pension plans.

The Arizona State Retirement System (ASRS) administers a costsharing multiple-employer defined benefit pension plan. Benefits are established by state statute and provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The ASRS is governed by the Arizona State Retirement System Board, in accordance with the provisions of A.R.S. Title 38, Chapter 5, Article 2. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. That report may be obtained by writing to the ASRS, 3300 North Central Avenue, P.O. Box 33910. Phoenix, Arizona 85067-3910, or calling (602) 240-2000 or (800) 621-3778.

For the year ended June 30, 1999, active ASRS members and the university were each required by statute to contribute at the actuarially determined rate of 3.34 percent (2.85 percent retirement and 0.49 percent long-term

disability) of the members' annual covered payroll. The university's retirement contributions to ASRS for the years ended June 30, 1999, 1998, and 1997 were \$1,379,201, \$1,389,602, and \$1,346,364, respectively, which were equal to the required contributions for the year. The Arizona State Legislature establishes and may amend active plan members' and the university's contribution rates.

In accordance with A.R.S. § 15-1628, university faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. These plans are administered by independent insurance and annuity companies approved by the Arizona Board of Regents. For the year ended June 30, 1999, plans offered by the Teachers Insurance Annuity Association/ College Retirement Equities Fund (TIAA/CREF), Variable Annuity Life Insurance Company (VALIC), Fidelity Investments Tax-Exempt Service Company (Fidelity), and Aetna Life Insurance and Annuity Company (Aetna) were approved by the board. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately, and university contributions vest after five years of full-time employment.

The distribution of member contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity company. University contributions and associated investment earnings must be distributed to the member in the form of an annuity paid over a period that is not less than the member's life. The Arizona State Legislature establishes and may amend active plan members' and the university's contribution rates. For the year ended June 30, 1999, plan members and the university were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Contributions to these plans for the year ended June 30, 1999, are detailed on the following page.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 1999

Note 1—Cash and Investments

In accordance with GASB Statement No. 31, investments are reported at fair value. Fair value typically is the quoted market price for investments. GASB Statement No. 31 also requires that changes in fair value of investments during the year be recognized as investment income.

The university may invest only in the state Treasurer's Local Government Investment Pool, collateralized time certificates of deposit and repurchase agreements, U.S. Treasury securities, and in obligations of other agencies sponsored by the federal government. Gift and endowment funds may be invested according to conditions stipulated by the donor, but if no conditions are imposed, such funds

may be invested under the direction of the university investment committee in such a manner as to obtain the most favorable rate of return and income stability commensurate with safety of principal. Demand deposit accounts with authorized financial institutions are required to be collateralized.

Cash and short-term investments at June 30, 1999, consist of the following:

	Fair Value
Cash on hand and in bank	\$ (372,945)
Investments on hand	53,091
Investments	6,770,195
Student Financial Aid	
Trust Fund	4,787,922
Local Government	
Investment Pool	35,184,439
	\$46,422,702

recorded in the bank's records.

and sell securities.

and sell securities.

retirement and 0.49 percent long-term

Plan: TIAA/C	CREF	
University	Member	Total
Contributions	Contributions	Contribution
\$2,289,661	\$2,289,661	\$4,579,322
Plan: VALIC		
University	Member	Total
Contributions	Contributions	Contribution
\$624,792	\$624,792	\$1,249,584
Plan: Fidelity		
University	Member	Total
Contributions	Contributions	Contribution
\$293,278	\$293,278	\$586,556
Plan: Aetna		
University	Member	Total
Contributions	Contributions	Contribution
\$109,771	\$109,771	\$219,542

Note 4—Bonds Payable

In prior years, the university defeased certain revenue bonds by either placing the proceeds of new bonds, or cash and investments accumulated in the sinking fund, in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the university's financial statements. At June 30, 1999, \$4,985,000 of such bonds outstanding are considered defeased.

Bonds payable at June 30, 1999, are as follows:

Student housing bonds (3 issues) – 3.75% to 6.1%, principal payable annually on April 1 through 2009, revenues of various housing projects pledged for payment \$1,790,000

System revenue bonds, Series of 1990 – 6.6%, principal maturing serially on June 1 through 2000, secured by a first lien on certain gross revenues, on a parity with the Series 1991, 1992, 1992A, and 1997 system revenue bonds

System revenue bonds, Series of 1991 – 6%, principal maturing serially on June 1 through 2006, secured by a first lien on certain gross revenues, on a parity with the Series 1990, 1992, 1992A, and 1997 system revenue bonds 2,975,000

System revenue refunding bonds, Series of 1992 – 5.8% to 6.4%, principal maturing serially on June 1 through 2007, secured by a first lien on certain gross revenues, on a parity with the Series 1990, 1991, 1992A, and 1997 system revenue bonds 25,780,000

System revenue refunding bonds, Series of 1992A – 5.0% to 5.8%, principal maturing serially on June 1 through 2008, secured by a first lien on certain gross revenues, on a parity with the Series 1990, 1991, 1992, and 1997 system revenue bonds 34,180,000

System revenue bonds, Series of 1997 – 5.0% to 6.5%, principal maturing serially on June 1, 2009 through 2017, secured by a first lien on certain gross revenues, on a parity with the Series 1990, 1991, 1992, and 1992A system revenue bonds 30,900,000

\$95,980,000

Principal and interest requirements to maturity, including \$43,547,969 of interest, are as follows: 1999-00, \$11,359,174; 2000-01, \$10,902,587; 2001-02, \$11,362,074; 2002-03, \$11,450,693; 2003-04, \$11,444,798; thereafter, \$83,008,643.



Note 5—Risk Management

Pursuant to A.R.S. § 41-621, the university participates in a self-insurance program administered by the State of Arizona, Department of Administration, Risk Management Section. The State's Risk Management Program covers the university, subject to certain deductibles, for risks of loss from injuries to employees; theft of, damage to, and destruction of property, buildings and equipment; errors and omissions; natural disasters; and liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization except as prescribed in A.R.S. § 41-621. The university has no additional insurance coverage, and losses arising from contractual breaches and losses that arise out of and are directly attributable to an act or omission determined by a court to be a felony are not covered by the State's Risk Management Program. However, during the three years ended June 30, 1999, such losses have not been material to the university's financial statements taken as a whole.

Note 6—Reclassification

In prior years, the university presented due to other funds as a reduction of assets in the assets section of the balance sheet. For the fiscal year ended June 30, 1999, the university reclassified due to other funds at June 30, 1999, and presented the balance in the liabilities section of the balance sheet. Accordingly, the corresponding 1998 memorandum amounts have been reclassified to conform with the presentation in the 1999 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited

For the Year Ended June 30,1999

Year 2000 Issue

Many of the university's mission-critical, electronic data processing systems and equipment items are subject to shortcomings related to the year 2000 that could adversely affect university operations. If not corrected, many programs and embedded chips would not be able to distinguish the year 2000 from the year 1900. This may cause them to process data inaccurately or stop processing data altogether. The university is aware of this problem and has been taking the necessary corrective action to its mission-critical systems since September 1997.

Typically, efforts to address the year 2000 issue progress through the following four stages. However, the completion of these stages does not guarantee that the university's mission-critical systems and equipment will be year 2000 compliant.

- Awareness-Establishing a project plan and budget for dealing with the year 2000 issue.
- Assessment-Identifying all of the systems and equipment that are critical to the university's operations.
- Remediation-Making changes to systems and equipment.
- Validation/testing-Testing the changes made to systems and equipment and reviewing the test results.

The university has identified nine computer systems and electronic equipment groups that are critical to its operations (payroll, human resources, telecommunications, facilities, financial aid, student business services, admissions, student matriculation, and accounting.) These mission-critical systems and equipment groups affect the financial, personnel, and safety aspects of the university's operations. The university has completed the validation/testing stage for the telecommunications, facilities, and admissions systems. Remediation has been completed for all other systems, and the university is in the validation/ testing stage for those systems.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the university is or will be year 2000 ready, that the university's remediation efforts will be successful in whole or in part, or that parties with whom the university does business will be 2000 ready.

